

Destination British Columbia

2015/16

ANNUAL SERVICE PLAN REPORT



Destination
British Columbia TM

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Board Chair's Accountability Statement



On behalf of the Board of Directors of Destination British Columbia (Destination BC), I am pleased to present our *2015/16 Annual Service Plan Report* that reflects Destination BC's performance for the 12 months ended March 31, 2016. The content of this report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. During this performance period, Destination BC's operations have been consistent with the Taxpayer Accountability Principles.

British Columbia's tourism industry experienced another year of strong growth in 2015, with a 7.9 per cent increase in international visitor arrivals and increases in accommodation occupancy and daily room rates across most of the province. Destination BC played an important role in this success, marketing BC domestically and internationally as a coveted tourist destination while promoting the development, enhancement and growth of the tourism industry throughout the province.

Destination BC is focused on achieving results: growing the tourism sector through high impact, innovative and creative marketing, enhancing the visitor experience, developing and maintaining strong collaborative relationships with the tourism industry, communities, First Nations and cross-government partners, and managing Destination BC with accountability, efficiency and effectiveness.

Key achievements, in our third year of operation, were the continued roll-out of BC's revitalized destination brand (*Super, Natural British Columbia*®) globally across all of Destination BC's and regional marketing activities, the provincial Destination Development framework developed in conjunction with the Ministry of Jobs, Tourism and Skills Training that will address the long term global competitiveness of BC, and the creation of new two-year agreements with BC's five Regional Destination Marketing Organizations. These and other highlights of the past year are outlined in the Report on Performance section of this report.

Destination BC's financial position is sound, with an operating surplus of \$57,000 in 2015/16. Provincial government funding was \$52.054 million including an increase of approximately \$1 million to help support the Explore BC campaign and to distribute funds related to the Tourism Events Program. In addition, Destination BC supplemented just over \$1 million in generated revenue.

On behalf of the Board of Directors, I would like to thank management and staff for their dedication and contribution to the organization and its success. I would also like to thank the Minister of Jobs, Tourism and Skills Training and Minister Responsible for Labour, along with ministry staff, for their on-going support to our organization during 2015/16.

The Destination BC *2015/16 Annual Service Plan Report* compares Destination BC's actual results to the expected results identified in the *2015/16 - 2017/18 Service Plan*. I am accountable for those results as reported.

A handwritten signature in dark ink, appearing to read 'Andrea Shaw'.

Andrea Shaw
Board Chair

Table of Contents

Board Chair's Accountability Statement	3
Chair/CEO Report Letter	5
Purpose of the Organization.....	6
Strategic Direction and Context.....	6
Report on Performance	7
Goals, Strategies, Measures and Targets	7
Financial Report.....	15
Discussion of Results	15
Auditor's Report	17
Audited Financial Statements	19
Capital Plan and Major Projects (over \$50M)	35
Appendix A: Subsidiaries and Operating Segments.....	36
Appendix B: Additional Information	37
Corporate Governance	37
Organizational Overview	37
Appendix C: Crown Corporations Mandate and Action Summary	38

Chair/CEO Report Letter

We are pleased to report that Destination BC completed all actions it was directed to in the 2015/16 Mandate Letter. The Mandate Letter direction and Destination BC actions are outlined in detail in Appendix C: Crown Corporation Mandate and Actions Summary.

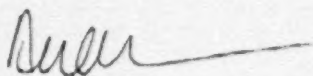
As per the Strategic Engagement Plan, regular communication took place in 2015/16 between Destination BC and the Ministry of Jobs, Tourism and Skills Training in order to ensure ongoing alignment with ministerial direction, the 2015/16 Mandate Letter and Taxpayer Accountability Principles. This included quarterly meetings of the Minister and Chair, monthly meetings between the Deputy Minister and CEO, and regular meetings of the Assistant Deputy Minister and Vice Presidents to discuss strategic priorities, performance measures and emerging opportunities. In addition, weekly meetings between Government Communications and Public Engagement and Destination BC Corporate Communications were held to ensure alignment on communications, and support on emerging industry and public engagement issues. Destination BC has frequent meetings between CEO, Executive, Directors and all staff to ensure on-going alignment of day-to-day activities as they pertain to the corporate strategy and business plan.

In 2015/16, ongoing communication and orientation about the Taxpayer Accountability Principles for Destination BC's Board of Directors, Executives and staff took place, including:

- Board and Executive received orientation and training on the Taxpayer Accountability Principles during their quarterly meeting in May;
- Taxpayer Accountability Principles training materials added to the orientation package for new Board and staff members;
- Standards Of Conduct reviewed by staff regularly, including new staff during their On-Boarding process; and
- Human Resources policies and procedures developed for Board approval.

In addition, we improved transparency and accountability to industry stakeholders and the public by communicating our strategy and activities through the corporate website, Twitter and a new monthly newsletter.

Destination BC worked hard in 2015/16 to successfully deliver on the direction given in the 2015/16 Mandate Letter, to execute our corporate strategy and business plan, and to maximize the return on taxpayer resources entrusted to us. We are committed to being accountable and responsible in the use of taxpayer dollars for the benefit of all British Columbians as we strive to increase the economic return on the tourism sector for the provincial economy.



Andrea Shaw
Board Chair



Marsha Walden
Chief Executive Officer

Purpose of the Organization

Tourism is a critical sector within BC's economy. In 2014, the tourism industry generated \$14.6 billion in revenue, an increase of 5.1 per cent over 2013. In addition, tourism contributed \$7.1 billion to provincial GDP and employed over 127,500 people. The tourism industry also generates social and cultural benefits for all British Columbians.

The tourism sector is comprised of thousands of businesses hosting millions of consumers, some of whom only visit once, while others visit many times. Destination BC, operating under the *Destination BC Corp. Act*, plays a critical role in:

- Maximizing long term industry growth by providing a unifying and consistent brand and marketing strategy for the tourism sector that motivates travellers from around the world to visit, and encourages BC's residents to travel within their province.
- Providing leadership and direction for the expansion and strengthening of BC's tourism products and experiences, including Aboriginal cultural tourism. Destination BC delivers branding, marketing and destination development activities directly and through contracted third parties, such as BC's Regional Destination Marketing Organizations.

In September 2011, the provincial government released *Canada Starts Here: the BC Jobs Plan*, which identified eight sectors, including tourism, where BC has a strategic competitive advantage. *Gaining the Edge*, BC's tourism strategy provides the context for Destination BC's *Corporate Strategy and Marketing Plan* and the revitalized *Super, Natural British Columbia*[®] brand. In September 2015, Minister Shirley Bond released *Gaining the Edge: 2015 – 2018*, an update to the original provincial strategy.

Strategic Direction and Context

Destination BC's corporate strategy aligns with its mandate, articulated in the *Destination BC Corp. Act*, and with its *2015/16 Mandate Letter*, which outlined direction that reinforced identified strategic priorities for 2015/16. Additionally, provincial public sector organizations in BC, including Destination BC, operate under the government's *Taxpayer Accountability Principles* which strengthen accountability, promote cost control and ensure organizations operate in the best interest of taxpayers.

Destination BC divested a number of long running activities in 2014/15 in order to increase its investment in marketing the province domestically and internationally as a tourist destination, and promoting the development and growth of the tourism industry in British Columbia in 2015/16 and beyond. From 2014/15 to 2015/16, \$3.7 million in program funding transferred from Destination & Industry Development to Marketing to better align operations. Destination BC continued its work with BC's Regional Destination Marketing Organizations to refine their role and achieve greater impact. In addition, Destination BC developed new opportunities for collaboration with Destination Canada and Travel Alberta.

Over the long run, the growth of the tourism industry is the key indicator of success of the Province's tourism strategy and Destination BC. However, year to year there are many factors, both positive and negative, that may affect the industry's performance. In 2015/16 these included:

- Depreciation of the Canadian dollar against the US dollar, which made domestic travel more appealing to Canadians and attracted American visitors, but significantly increased the cost of marketing in the US.
- Fall in the price of oil which decreased the cost of travel to and within BC but negatively impacted Alberta, one of our largest source markets.
- Increase in air travel capacity from Japan and France, which led to increased visitation from these markets and demonstrated the importance of adequate air access.
- Slower economic growth and stagnant air travel capacity from China.

Report on Performance

Destination BC completed all actions it was directed to in the 2015/16 Mandate Letter including:

- Improving alignment of provincial, regional, community, and sector marketing investments.
- Enhancing marketing capacity and effectiveness through administrative and program improvements and other measures, including increasing the effectiveness of Destination BC's domestic, national and international marketing efforts, in line with BC's re-invigorated *Super, Natural British Columbia*[®] tourism brand.
- Delivering world class visitor experiences by implementing a forward-thinking Visitor Services strategy that meets the changing needs of today's traveller, fulfilling government's commitment to invest in and upgrade visitor services, and contributes to ongoing increases in British Columbia being seen as a destination of choice.
- Expanding British Columbia's tourism offerings, businesses and jobs by working with regional and community organizations to ensure that processes are in place to create regional tourism development strategies to develop tourism experiences, businesses and jobs across the province. This included Destination BC's continued financial support of the Aboriginal Tourism Association of BC's (AtBC) implementation of its strategy to increase Aboriginal tourism revenues and the number of market-ready Aboriginal tourism businesses and jobs.

Destination BC evaluates all of its activities through the lens of the Taxpayer Accountability Principles. Destination BC and the Ministry of Jobs, Tourism and Skills Training jointly developed an evaluation plan which assesses the organization's health and performance against the Taxpayer Accountability Principles. This year, Destination BC put accountability and performance measures in place to meet mandate, operations and resource targets. Destination BC conducted a stakeholder survey to address the principles of accountability, service and respect. In addition, Destination BC has addressed the principle of integrity by incorporating Code of Conduct training into its orientation process for all new hires.

Goals, Strategies, Measures and Targets

Destination BC is focused on achieving the following results: growing the tourism sector through high impact, innovative and creative marketing; enhancing the visitor experience; developing and maintaining strong collaborative relationships with the tourism industry, communities, First Nations and cross-government partners; and managing Destination BC with accountability, efficiency and effectiveness.

Key achievements, in our third year of operation were:

- **Brand:** Continued roll-out of BC's revitalized destination brand (*Super, Natural British Columbia*[®]) globally, across all of Destination BC's marketing activities and all regional marketing activities. Including:
 - Twenty photography projects and six video projects completed or underway, resulting in over 500 new still images and 12 hours of b-roll. BC's tourism industry will also use these new assets to market BC to travellers across its key markets.
 - Over 25 brand workshops with BC's tourism industry stakeholders conducted to enable them to use the brand in their own marketing efforts.
- **Destination Development Framework:** Creation of a provincial framework in conjunction with the Ministry of Job, Tourism and Skills Training, that will strengthen the long term global competitiveness of BC. The cornerstones of the framework are strong government and private sector collaboration, alignment on shared tourism priorities, the development of compelling experiences around the province, and the elevation of BC as both a travel and investment destination.
- **RDMO Agreements:** New two-year agreements were negotiated with BC's five Regional Destination Marketing Organizations during 2015/16 and went into effect on April 1, 2016.
- **Innovation in Marketing:**
 - The first Destination Marketing Organization (DMO) to advertise on Instagram with a supporting Facebook re-targeting program (i.e. we displayed BC content to users on Instagram, and then displayed further BC content to the same people on Facebook).
 - The first DMO in Canada to use Twitter's live video-streaming app, Periscope to promote Vancouver activities during FIFA's Women's World Cup.
 - The first DMO in Canada to use Expedia's Concierge service to market BC activities.
 - The first Canadian DMO to partner with Booking.com on an online marketing campaign.
- **International Presence:** Attendance at 10 trade-shows nationally and globally, including meetings with over 750 buyers from around the world. For example, we hosted special events in China in June that included over 100 media and trade clients, resulting in 100 editorial features and a special event with the BC Wine Institute, Ministry of International Trade and the Vancouver International Airport (YVR).
- **Social Media Strength:** Over one million uses of #exploreBC on Instagram and Twitter by December 2015 (by residents and visitors), indicating strong pride of place and increasing advocacy for our destination. We lead our competitors in terms of 'share of voice' for hashtag usage. Destination BC also increased its social media community of brand advocates to over 750,000 in key consumer-facing social channels, including: over 350,000 on Facebook, over 100,000 on Twitter and over 200,000 on Instagram.
- **Travel Media Outreach:** Hosted more than 600 journalists and influencers in 2015. In addition, we welcomed 50 of the world's top editors and writers during *Travel Classics* and were instrumental in bringing more than 300 key writers and industry professionals to Penticton during Destination Canada's annual *GO Media* conference receiving coverage from various media, including the New York Times, CNN, Boston Globe, Globe and Mail, Conde Nast, Fox Sports, and Amazing Race Canada.
- **Consumer Reach:** 50 million viewers globally of the final FIFA Women's World Cup in Vancouver in July 2015. Viewership in the US eclipsed the primetime average for the Sochi Winter Olympics, NBA Finals and all previous US soccer matches. Content about BC featured heavily throughout the matches.

- **Community Partnerships:** Tourism planning workshops in nine communities/consortiums across the province, generating tourism plans for: Sayward, Parksville Qualicum, Scenic 7, Boundary, Lower Columbia, Columbia Valley, Interlakes, Dawson Creek and Terrace. Three Board Governance workshops were conducted in Delta, Vancouver Island North and Bridge River to assist these tourism boards in working more effectively.
- **Remarkable Experiences:** Launched the pilot of the Remarkable Experiences Program in four travel regions across the province, with close to 40 participating organizations/businesses. Conducted 14 Online Reputation Management Workshops throughout the province with over 250 participants.
- **Community Visitor Services Network:** Community Visitor Centres served 2.5 million visitors at their physical locations and around their community in 2015. Destination BC provided a \$200,000 Innovation Fund to support 38 pilot projects which tested new approaches to visitor services. Destination BC hosted more than 160 stakeholders in 20 Visitor Services community consultation sessions. In September 2015, Destination BC introduced a stable, three-year base funding commitment (2016, 2017, and 2018) to enable better long-term business planning for Visitor Centres in the Visitor Services Network.

Destination BC had fifteen performance measures as established in its 2015/16 – 2017/18 Service Plan, of which ten targets were exceeded or achieved, two targets established baseline figures and three targets were not achieved for which more details are provided in the respective goals outlines below. The following section reports on 2015/16, 2016/17 and 2017/18 targets from the 2015/16-2017/18 Service Plan. Note: some 2016/17 and 2017/18 targets have been revised in Destination BC's 2016/17-2018/19 Service Plan.

Goal 1: Lead Canada in growth of overnight visitor expenditures: assist industry to increase revenue by attracting more visitors.

STRATEGIES	PERFORMANCE MEASURES	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 TARGET	2015/16 ACTUAL	2016/17 TARGET	2017/18 TARGET
Inspire travel to BC by amplifying and strengthening BC's world-wide reputation.	Serious intent to visit BC from key North American markets. ¹	NA	NA	35.2%	33.2%	33.8%	33.4%	33.6%
	BC's share of those with serious intent to visit Canada from key overseas markets. ¹	NA	32.8%	34.4%	35.0%	36.1%	36.0%	37.0%
	Travel trade operators' evaluation of Destination BC.	NA	8.5 (out of 10)	8.0	Improve	8.2	Improve	Improve
Engage with travellers online to increase brand engagement and advocacy.	Size of Destination BC's global social media community of brand advocates.	NA	308,900	419,664	455,000	758,126 ²	500,000 ³	550,000 ³

Deploy media relations, travel trade and consumer direct marketing activities to connect consumers to travel information and products through the channel of their choice.	Number of visits to Destination BC consumer websites.	NA	8.5M	9.1M	9.8M	8.4M ⁴	9.9M ⁵	10.9M
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Data Sources: Destination BC, Destination Canada and Corporate Stakeholder Survey (conducted by 3rd party independent survey firm).

¹ The figures in this table reflect a correction to remedy a data entry error that was discovered as part of the 2015/16 Annual Service Plan Report process. Note that the typographical error as reported in the 2016/17-2018/19 Service Plan resulted in the blue box figures being mistakenly entered into the green box figures and vice versa. This typographical error will be corrected, with an explanatory footnote, in the Crown's 2017/18 – 2019/20 Service Plan.

² Engagement has grown tremendously over the past 12 months leading to higher growth. Our advertising strategy expanded to include an 'always on' approach for Facebook and Instagram, and a new in-market agency in China that led to a 100 per cent growth on Weibo (now 60K followers) plus the launch of WeChat.

³ These figures have been revised in the 2016/17-2018/19 Service Plan to 900,000 and 1.1 million respectively.

⁴ North American consumer websites performed well. Paid web traffic from Japan and South Korea was reduced due to corporate re-prioritization of marketing investments and down in China due to temporary technical issues with the website.

⁵ Planned redesign of HelloBC.com will have a short-term impact on visits to the site.

Discussion:

To attract more visitors and contribute to the Province's goal of increasing tourism revenue, in 2015/16 Destination BC worked to increase potential visitors' awareness, interest and sense of urgency to visit British Columbia. Destination BC then facilitated purchases by connecting visitors directly, or through third parties, to BC's tourism products and services.

Destination BC's marketing team focusses on inspiring travel to BC from its core markets in North America and key markets overseas. To understand future visitation potential, we measure our ability to increase "serious intent to visit BC" from our top overseas markets (Germany, UK, Australia, China and Japan) and from our key North American markets (Alberta, Ontario, Washington and California). In our overseas markets, we invest in consumer-direct advertising programs with Destination Canada and promote key experiences and products that are relevant in each market.

Travel trade (tour operators) is fundamental in promotion of BC and creating bookings from overseas markets. Destination BC works very closely with these partners. We want to establish BC as an excellent, leading partner for this important sales channel. An annual survey to this group helps establish how strong our partnership is evaluated by them.

We believe that traveller advocacy provides an opportunity to drive an increase in visitation, booking and revenue. Word-of-mouth referrals and recommendations are the most powerful marketing tool in the travel industry. Social media is particularly influential during a traveller's inspiration stage and as a resource for the discovery, research and planning stages. Social media usage is no longer a pastime of the young; its use is exploding across all age groups, especially those over 45+. Facebook, the most-used social media platform, has over one billion users each day and has seen the most growth in the over 65+ demographic. We will continue to drive visitation to BC by amplifying the power of peer-to-peer recommendations to influence potential travellers to visit BC, thereby increasing our reach and impact. For this reason, we measure the size of Destination BC's social media community globally on Facebook, Instagram and Twitter.

The number of visitors to Destination BC's consumer websites, including HelloBC.com and our international language websites, is one measure of the success of marketing activities, which are designed to move consumers down the path to purchasing a trip to British Columbia. Online content provides both inspiration and information to potential tourists, and is crucial to enabling them to make plans to visit the province. Our web presence is designed to make it easy for consumers to explore BC's many tourism products and services, connect with tourism businesses and, finally, to make the decision to visit. Destination BC's digital content reflects the full range of tourism opportunities across BC, helping to ensure that communities across the province experience increased tourist visitation and the benefits tourism can bring.

Goal 2: Remarkable Guest Experiences: assist industry to deliver a world-class guest experience and secure the highest Net Promoter Score® in North America for British Columbia.

STRATEGIES	PERFORMANCE MEASURES	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 TARGET	2015/16 ACTUAL	2016/17 TARGET	2017/18 TARGET
Improve the guest experience through integrated visitor information services.	Visitor Services Network satisfaction with programs and services.	NA	97% (good/ very good or excellent)	96%	Maintain or Improve	98%	Maintain or Improve	Maintain or Improve
	Visitor satisfaction with visitor information services.	NA	NA	NA	Establish baseline	90.9%	Maintain or Improve	Maintain or Improve
Assist tourism businesses to meet and exceed guest needs and expectations.	Net Promoter Score of visitors to British Columbia. ¹	NA	62.7 (max 100)	68.3	Improve by 0.5 pts.	63.3 ²	Improve by 0.5 pts.	Improve by 0.5 pts.
	WorldHost program participants. ³	NA	13,348	14,726 ⁴	13,000 ⁵	10,255 ⁶	13,500	14,000
	Net Promoter Score of participants in Remarkable Experiences Program.	NA	NA	NA	Establish baseline	68.1	Maintain or Improve	Maintain or Improve

Data Sources: Destination BC and 3rd party independent research firm.

¹ Net Promoter Score® measures the likelihood of visitors to recommend BC to their friends or family.

² Decrease in Net Promoter Score is a result of a decrease in the likelihood of "Travellers from BC" to recommend all destinations, including British Columbia. This may have been a survey design effect. Scores from all other markets surveyed remained consistent between 2014 and 2015. For more details on the research methods, refer to [Net Promoter Score®](#).

³ [WorldHost® Training Services](#) offers a suite of courses that improve customer service.

⁴ One time increase due to 2015 Canada Winter Games training.

⁵ Decrease from the previous two years was due to impact of one-time events in previous years (e.g. BC Winter Games) and a shift to focus exclusively on the tourism sector (in past years up to 45 per cent of participants were not in the tourism sector).

⁶ In the past up to 45 per cent of WorldHost participants have been from outside the tourism sector. In 2015/16 a strategic decision was made to focus on tourism sector employees with limited marketing efforts to employees in other sectors.

Discussion:

The delivery of outstanding experiences for guests from around the world, as well as British Columbians travelling within the province, is critical in order to achieve higher revenues. These experiences result in increased visitor spending, longer stays, repeat visits and recommendations through social networks.

In 2015/16 Destination BC began working with the Visitor Services Network to support innovative approaches to information delivery incorporating forward-looking online, mobile and crowd-sourcing channels, alongside traditional Visitor Centres, as appropriate to each community.

Each year, Destination BC surveys members of the Visitor Services Network to evaluate the various components of the Network program. This input and feedback is critical to the ongoing development and refinement of the program. The slight improvement in scoring for 2015/16 could be the result of a positive response to the Network consultation sessions held throughout the province, the announcement of the new three-year base funding model and Destination BC's support for pilot project testing of innovative approaches to visitor services.

The objective of the 2015 Visitor Information Services Satisfaction Survey was to establish a baseline measure for the current level of visitor satisfaction with visitor information services provided on the HelloBC.com website, as well as services provided at Visitor Centres in BC. Feedback from this survey will be reviewed and may inform us of potential changes in future service delivery.

In 2015/16 Destination BC initiated four pilot projects to test, learn and refine the new Remarkable Experiences Program. The program will provide tools, education and training to assist tourism businesses to improve their visitor experience, and enhance their digital and social media marketing expertise.

Goal 3: Create a Powerful Marketing¹ Network: collaborate with stakeholders, partners and communities to align and focus collective efforts, amplify British Columbia's marketing message in a competitive global marketplace and use resources more effectively for destination development.

STRATEGIES	PERFORMANCE MEASURES	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 TARGET	2015/16 ACTUAL	2016/17 TARGET	2017/18 TARGET
Increase funding contributed to joint marketing initiatives between BC industry and Destination BC.	Funds leveraged by Destination BC co-operative marketing programs.	NA	\$6.9M	\$7.1M	\$6.9M	\$6.9M	\$7.25M	\$7.5M
Strengthen relationships with key industry stakeholders and cross-government partners.	Tourism businesses' satisfaction with Destination BC programs and services. ²	NA	6.09 (out of 10)	6.62	6.50	6.86	7.00	Improve

Work with regional and community organizations to create and implement regional tourism development strategies.	Progress on developing and implementing regional tourism development strategies.	NA	NA	NA	Processes in place to develop regional strategies	Planning process in place. Strategy development in all regions starting in early 2016/17	Regional development strategies completed for all six regions	Implementation measures TBD ³
Data Sources: Destination BC and 3rd party independent research firm. ¹ The term 'marketing' is used in the broad sense, including destination and product development as well as distribution and advertising and promotion. ² Tourism businesses comprise one of the six strata (or stakeholder group) whose satisfaction is tracked through the corporate stakeholder survey. Scores of the other strata are reported elsewhere and used to inform corporate planning and program evaluation. ³ This measure will link with the provincial Destination Development framework, which is currently under development.								

Discussion:

A key objective of Destination BC is to increase collaboration, coordination and alignment in marketing and destination development activities across the BC tourism industry.

One approach that Destination BC takes to achieve this is to use its marketing funds to leverage and align private and public sector funding. After consulting with stakeholders, Destination BC delayed the rollout of a new co-op marketing program until 2016/17, hence delaying the anticipated impact of funds leveraged by this program to 2016/17.

To ensure that Destination BC delivers programs and activities that provide value for tourism sector stakeholders across six strata, an independent third-party survey of industry stakeholders is conducted at the end of each fiscal year. This survey allows Destination BC to evaluate and improve the quality of programs and services delivered and the effectiveness of communications with stakeholders. It is encouraging to see the increase in stakeholder satisfaction as Destination BC continues to implement its corporate strategy, shifting its resources to have a greater impact for British Columbia's tourism industry.

In 2015/16 Destination BC engaged in broad consultation with industry stakeholders on a range of programs resulting in the development of a new application-based Co-op Marketing Partnerships Program to drive greater collaboration and marketing effectiveness. The new program was very popular and over-subscribed. Successful applicants were notified at the end of January 2016 and began planning funded activities to be executed as of April 1, 2016. We worked with the Ministry of Jobs, Tourism and Skills training and Regional Destination Marketing Organizations to finalize the process to create destination development plans to enhance tourism experiences, businesses and jobs across the province. It was agreed that these plans will consider the unique opportunities and needs of each region and will align with the provincial destination development strategy. Destination BC recognizes that a strategic approach to destination development is critical to ensure that all regions and communities of the province are able to take full advantage of the opportunities that global tourism offers them today and in the future. We also promoted alignment of provincial, regional, and community actions and investments, and the achievement of regional and community economic priorities and needs, through a number of other activities including: sharing market intelligence and business plans; improving access to data collection and management platforms; providing access to marketing tools (such as the *Destination Canada's Explorer Quotient*[®]); and proactively promoting cooperation and information-sharing at all levels on a regular and ongoing basis.

Goal 4: Business Efficiency: conduct our business efficiently in a changing environment.

STRATEGIES	PERFORMANCE MEASURES	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 TARGET	2015/16 ACTUAL	2016/17 TARGET	2017/18 TARGET
Ensure cost effective provision of support services that meet business requirements.	Percentage of Destination British Columbia funds allocated to support services.	NA	9.0% ¹	8.5% ²	Maintain or Improve	8.4%	Maintain or Improve	Maintain or Improve

Data Source: Destination BC Annual Financial Statements (Corporate Services).

¹ In 2014/15 Shared Services BC began charging Destination BC for facilities and technology services (effective April 1, 2014). This charge was offset by a budget transfer from Shared Services BC to Destination BC. Actual 2013/14 expenditures were restated from 4.6 per cent to 9.0 per cent to include expenditures made by Shared Services BC that year on behalf of Destination BC.

² This per cent includes an allocation for the costs of staff performing corporate Human Resource functions. These costs were budgeted and charged to Research, Strategy and Communications.

Discussion:

Destination BC must maximize funds for tourism marketing through innovation and the careful management of human and financial resources. Monitoring corporate support costs provides an indicator of cost containment, conforms to the Taxpayer Accountability Principles cost consciousness, and informs the business operations decisions of senior management and the Board of Directors. Support services costs are defined to include accounting operations, facilities, administration, human resources, the Chief Executive Officer's office and Board's expenses, and are measured as a percentage of total annual operating expenses. Strategically lowering support services costs increases the funds available for tourism marketing and destination development programs.

Goal 5: Our People – Build a Collaborative, Insight-Driven, Results-Focused Team.

STRATEGIES	PERFORMANCE MEASURES	2012/13 ACTUAL	2013/14 ACTUAL	2014/15 ACTUAL	2015/16 TARGET	2015/16 ACTUAL	2016/17 TARGET	2017/18 TARGET
Attract, retain and develop highly skilled and engaged people.	Employee engagement.	NA	3.53 (out of 5)	3.91	3.90	4.10	4.00	Maintain or Improve

Data Source: Annual Employee Engagement Survey executed by a 3rd party independent survey firm.

Discussion:

The long-term success of Destination BC depends on talented and engaged employees dedicated to the success of the organization and its goals to strengthen the tourism industry. The annual evaluation of employee engagement assists the Board of Directors and senior management in identifying opportunities to build employee engagement and ensures the creation and maintenance of a thriving workplace. Engagement continued to increase and most employees reported being inspired by Destination BC to do their best work. While the improvement in employee engagement exceeded the target for 2015/16, the survey identified a number of areas for further improvement.

Financial Report

Discussion of Results

2015/16 was the third year of operations for Destination BC. Following operating surpluses of \$209,000 in 2013/14 and \$101,000 in 2014/15, Destination BC had a 2015/16 operating surplus of \$57,000 for an accumulated surplus of \$367,000.

Provincial government transfers increased the budget to \$52 million which included \$360,000 in additional government funding for the Explore BC marketing campaign, as well as \$670,000 for distribution to successful applicants in government's new Tourism Events Program. The Tourism Events Program funding supported such high-profile events as the World Rugby Sevens Series in Vancouver and the World Women's Hockey Championship in Kamloops. In 2015/16, Destination BC generated just over \$1 million in revenue, bringing their total revenue to \$53.8 million.

Divisional budgets were re-allocated within the year to more accurately reflect business operations, with approximately \$1 million transferred from Destination & Industry Development to Global Marketing.

Financial results for the year ended March 31, 2016 and financial overview for 2016/17 to 2017/18:

\$ millions	2012/13 Actual ¹	2013/14 Actual	2014/15 Actual	2015/16 Budget	2015/16 Actual	2015/16 Variance	2014/15 - 15/16 Variance
Total Revenue (000)							
Government transfers	NA	48.890	50.974	51.024	52.054	1.030	1.080
Deferred government contributions	NA	0.406	0.442	0.667	0.572	(0.095)	0.130
Other revenue	NA	3.347	3.256	0.960	1.175	0.215	(2.081)
Total Revenue	NA	52.643	54.672	52.651	53.801	1.150	(0.871)
Total Expenses (000)							
Marketing	NA	25.844	28.659	31.195	33.808	(2.613)	(5.149)
Destination & Industry Development	NA	22.220	18.999	14.336	13.079	1.257	5.920
Research, Strategy & Communications	NA	1.152	2.044	1.893	1.816	0.077	0.228
Corporate Services	NA	2.812	4.427	4.560	4.469	0.091	(0.042)
Amortization	NA	0.406	0.442	0.667	0.572	0.095	(0.130)
Total Expenses	NA	52.434	54.571	52.651	53.744	(1.093)	0.827
Net Income from Operations	NA	0.209	0.101	0.000	0.057	0.057	(0.044)
Capital Expenditures	NA	2.314	0.475	1.011	0.069	0.942	0.406
Total Liabilities	NA	12.530	12.993	10.285	8.933	1.352	4.060
Accumulated Surplus / Retained Earnings	NA	0.209	0.310	0.209	0.367	0.158	0.057

1. Destination BC commenced operations on April 1, 2013.

Management's Report

Management's Responsibility for the Destination BC Corp. Financial Statements

The Destination BC Corp. financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the Destination BC Corp. financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the Destination BC Corp. financial statements. A summary of the significant accounting policies are described in Note 2 to the Destination BC Corp. financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal Destination BC Corp. financial statements on a quarterly basis and external audited Destination BC Corp. financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the Destination BC Corp. financial statements.

The external auditors, Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the Destination BC Corp. financial statements. The external auditors have full and free access to financial management of Destination BC Corp. and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Destination BC Corp. financial statements.

On behalf of Destination BC Corp.



Marsha Walden
Chief Executive Officer



Dean Skinner
Chief Financial Officer

May 12, 2016

Auditor's Report



INDEPENDENT AUDITOR'S REPORT

*To the Board of Governors of the Destination BC Corp., and
To the Minister of Jobs, Tourism and Skills Training, Province of British Columbia*

I have audited the accompanying financial statements of the Destination BC Corp., which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, changes in net debt, cash flows, and remeasurement gains and losses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

As described in Note 2e to the financial statements, the entity's accounting treatment for contributions received from governments and for externally restricted contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations either on the same basis as the related

expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Treasury Board Regulation 198/2011.

Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

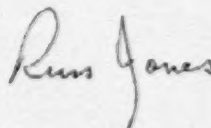
This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year financial statements is an overstatement of the liability for deferred capital contributions of \$1,449,000 an understatement of accumulated surplus of \$1,947,000, and a current year overstatement of capital contribution revenue of \$498,000. Accordingly, the current year surplus is overstated by \$498,000 and net debt is overstated by \$1,449,000.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Destination BC Corp., as at March 31, 2016, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Other Matters

Without modifying my opinion, I advise the reader that I was not engaged to audit the comparative financial statements of Destination BC Corp., as at March 31, 2015, for their fair presentation in accordance with Canadian Public Sector Accounting Standards. The financial statements of Destination BC Corp., as at March 31, 2015, were audited by me and I previously reported on their compliance with Section 23.1 of the *Budget Transparency and Accountability Act*. However, because that audit reported against a different framework than that of the current year, I must advise you that the comparative information in the financial statements and related disclosures are therefore unaudited.



Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia
May 13, 2016

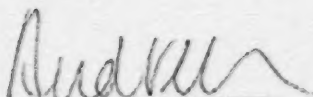
Audited Financial Statements

Destination BC Corp.
Statement of Financial Position
(\$000s)

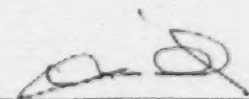
	<i>Note</i>	March 31, 2016	March 31, 2015
Financial assets			
Cash and cash equivalents	3	6,794	10,412
Accounts receivable	4	507	526
Due from Ministry of Jobs, Tourism and Skills Training		350	0
		<u>7,651</u>	<u>10,938</u>
Liabilities			
Accounts payable and accrued liabilities	5	5,195	3,749
Due to Ministry of Jobs, Tourism and Skills Training		0	5,354
Due to the Public Service Agency		1,359	936
Deferred revenue	7	0	2
Deferred capital contributions	8	2,379	2,952
		<u>8,933</u>	<u>12,993</u>
Net financial debt		<u>(1,282)</u>	<u>(2,055)</u>
Non-financial assets			
Tangible capital assets	9	1,431	1,941
Prepaid expenses		232	376
Security deposits		2	58
		<u>1,665</u>	<u>2,375</u>
Accumulated surplus		<u>383</u>	<u>320</u>
Accumulated surplus is comprised of:			
Accumulated operating surplus		367	310
Accumulated remeasurement gains		16	10
		<u>383</u>	<u>320</u>
Contractual obligations	10		

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Signature


Andrea Shaw, Board Chair

Signature


Laird Miller, Chair, Finance & Audit Committee

**Destination BC Corp.
Statement of Operations
[\$000s]**

	<i>Note</i>	Budget (Note 15)	March 31, 2016	March 31, 2015
Revenues				
Government transfers	12	51,024	52,054	50,974
Program revenue	16	960	1,002	3,149
Interest income		0	153	73
Gains on Foreign Exchange		0	20	34
Capital contribution	8	667	572	442
		<u>52,651</u>	<u>53,801</u>	<u>54,672</u>
Expenses				
Global Marketing	13	32,261	33,808	28,659
Destination and Industry Development		13,282	13,079	18,999
Research, Strategy and Communications		1,940	1,816	2,044
Corporate Services	14	4,501	4,469	4,427
Amortization		667	572	442
		<u>52,651</u>	<u>53,744</u>	<u>54,571</u>
Annual operating surplus		0	57	101
Accumulated operating surplus, beginning of year		<u>310</u>	<u>310</u>	<u>209</u>
Accumulated operating surplus, end of year		<u>310</u>	<u>367</u>	<u>310</u>

Destination BC Corp.
Statement of Remeasurement Gains and Losses
[S000s]

	March 31, 2016	March 31, 2015
Opening balance	10	21
Unrealized gains on foreign bank accounts	26	23
Amount of foreign exchange reclassified to the Statement of Operations	(20)	(34)
Accumulated remeasurement gains, end of year	16	10

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Destination BC Corp.
Statement of Change in Net Financial Debt
 [\$000s]

	Budget	March 31, 2016	March 31, 2015
Annual operating surplus	0	57	101
Acquisition of tangible capital assets	0	(69)	(475)
Disposal of tangible capital asset	0	6	0
Amortization of tangible capital assets	667	572	442
	667	509	(33)
Acquisition of prepaid expenses	0	(232)	(376)
Use of prepaid expenses	0	377	276
Acquisition of security deposits	0	(2)	0
Use of security deposits	0	58	0
	0	201	(100)
Effect of remeasurement gains (losses) for the year	0	6	(11)
Decrease (increase) in net financial debt	667	773	(43)
Net financial debt at beginning of year	(2,055)	(2,055)	(2,012)
Net financial debt at end of year	(1,388)	(1,282)	(2,055)

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

Destination BC Corp.
Statement of Cash Flows
 (\$000s)

	March 31, 2016	March 31, 2015
Operating transactions		
Surplus for the year	57	101
Cash and non-cash items included in surplus:		
Amortization of tangible capital assets	572	442
Deferred capital contributions – government	(572)	(442)
Effect of remeasurement gains (losses) for the year	6	(11)
Accounts receivable	19	51
Accounts payable and accrued liabilities	1,446	(3,341)
Deferred revenue	(2)	(1,170)
Prepaid expenses	144	(100)
Security deposits	56	0
Due to/from Ministry of Jobs, Tourism and Skills Training	(5,704)	9,901
Due to Public Service Agency	423	62
Cash (used in) provided by operations	(3,555)	5,493
Capital transactions		
Acquisition of tangible capital assets	(69)	(475)
Disposal of tangible capital asset	6	0
(Decrease) increase in cash and cash equivalents	(3,618)	5,018
Cash and cash equivalents at beginning of year	10,412	5,394
Cash and cash equivalents at end of year	6,794	10,412

The accompanying notes are an integral part of these Destination BC Corp. financial statements.

**Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016**

1. Nature of Operations

Destination BC Corp. (the Corporation) is a provincial Crown corporation initially created under the *BC Business Corporations Act* on November 2, 2012, and subsequently confirmed under the *Destination BC Corp. Act*, which received Royal Assent in March 2013.

The Corporation reports to the Legislative Assembly through the Ministry of Jobs, Tourism and Skills Training. The accumulated operating surplus includes 1 issued share of Destination BC Corp., value \$1, which is held by the Province of British Columbia.

The purposes of the Corporation are to:

- a) market British Columbia domestically, nationally and internationally as a tourist destination;
- b) promote the development and growth of the tourism industry in British Columbia to increase revenue and employment in, and the economic benefits generated by, the industry;
- c) provide advice and recommendations to the minister on tourism-related matters; and
- d) enhance public awareness of tourism and its economic value to British Columbia.

The Corporation commenced operations on April 1, 2013.

The Corporation is exempt from federal and provincial income taxes but is subject to the federal goods and services tax and provincial sales tax.

2. Summary of Significant Accounting Policies

a. Basis of accounting

These Destination BC Corp. financial statements are prepared by management in accordance with Section 23.1 of the *Budget Transparency and Accountability Act (BTAA)* of the Province of British Columbia which requires that financial statements be prepared in accordance with Canadian public sector accounting standards.

b. Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Websites, hardware and software	5 years
Photocopiers	6 years

Assets under development are not amortized until the asset is available for productive use.

**Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016**

2. Summary of Significant Accounting Policies (continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to Destination BC Corp.'s ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Destination BC Corp. statement of operations.

Intangible assets, such as copyrights, trademarks, etc. are not recognized in these financial statements.

c. Employee future benefits

- i. The employees of Destination BC Corp. belong to the Public Service Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding.

The joint trustee board of the plan determines the required plan contributions annually.

Destination BC Corp.'s contribution to the plan is recorded as an expense for the year.

- ii. The costs of insured benefits reflected in these financial statements are the employer's portion of the insurance premiums owed for coverage of employees during the period.
- iii. The cost of non-vesting sick leave benefits are determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

d. Prepaid expenses

Prepaid expenses include items which are charged to expenses over the periods expected to benefit from them.

e. Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016

2. Summary of Significant Accounting Policies (continued)

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability, including capital contributions which are recognized as revenue to match the amortization expense in accordance with Section 23.1 of the BTAA. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

f. Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

g. Foreign currency translation

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

h. Cash and cash equivalents

Cash and cash equivalents are entirely funds in bank accounts and therefore subject to an insignificant risk of change in value, other than potential exchange gains or losses on the USD bank accounts as described in Note 11.

i. Financial instruments

Financial assets and financial liabilities are measured at cost or amortized cost.

Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016

2. Summary of Significant Accounting Policies (continued)

j. Measurement uncertainty

The preparation of Destination BC Corp. financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the Destination BC Corp. financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, provision for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the Destination BC Corp. financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these Destination BC Corp. financial statements. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

Destination BC Corp. had unrestricted cash consisting of the following:

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Royal Bank of Canada - CAD	6,724	10,260
Royal Bank of Canada - USD	70	50
Lloyds of London	0	16
Bank of Tokyo	0	86
Total	6,794	10,412

4. Accounts Receivable

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Accounts receivable	508	533
Less provision for doubtful accounts	(1)	(7)
Net Accounts Receivable	507	526

5. Accounts Payable and Accrued Liabilities

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Accounts payables and accrued liabilities	4,765	3,294
Accrued vacation pay	430	455
Total	5,195	3,749

**Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016**

6. Employee Future Benefits

Destination BC Corp. and its employees are subject to the *Public Service Act* and benefits are managed through the Public Service Agency. Destination BC makes contributions to the PSA who administers payment of benefits to employees to whom the act applies.

Other employee benefits available to employees of Destination BC Corp. are:

a. Retirement benefits

The employees of Destination BC Corp. belong to the Public Service Pension Plan (the "Plan"), which is a multi-employer joint trustee plan. The Public Service Pension Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. Basic pension benefits are based on a formula. The Plan has about 56,000 active plan members, 43,000 retired plan members and 16,000 inactive members.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194 million for basic pension benefits. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

No pension liability is included in the Destination BC Corp. financial statements.

Destination BC Corp.'s contribution of \$704 thousand (2014/15 - \$667 thousand) to the Plan was expensed during the year.

b. Other employee future benefits

Workplace safety and insurance board obligations

Destination BC Corp. is an employer under the Workers Compensation Act part 3 ("Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Destination BC Corp. does not fund these obligations in advance of disbursement.

Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016

7. Deferred Revenue

	(in \$ thousands)			
	Balance April 1, 2015	Receipts during year	Transferred to revenue	Balance March 31, 2016
Magazine Subscriptions	0	0	0	0
Miscellaneous	2	0	2	0
Total	0	0	0	0

	(in \$ thousands)			
	Balance April 1, 2014	Receipts during year	Transferred to revenue	Balance March 31, 2015
Magazine Subscriptions	1,152	302	1,454	0
Miscellaneous	20	2	20	2
Total	1,172	304	1,474	2

8. Deferred Capital Contribution

The deferred contribution consists of a capital contribution from the Province of British Columbia for the purpose of acquiring capital assets. The amount recorded as revenue matches the amortization expense for the year.

9. Tangible Capital Assets

	(in \$ thousands)		
	Furniture and equipment	Websites, hardware and software	2016 Total
Opening Balance	9	2,826	2,835
Additions	69	0	69
Disposals	9	0	9
Closing balance	69	2,826	2,895
Opening balance	1	893	894
Amortization	7	565	572
Disposals	2	0	2
Closing balance	6	1,458	1,464
Net book value	63	1,368	1,431

Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016

9. Tangible Capital Assets (continued)

	(in \$ thousands)		
	Furniture and equipment	Websites, hardware and software	2015 Total
Opening Balance	9	2,305	2,314
Opening adjustment	0	46	46
Additions	0	475	475
Disposals	0	0	0
Closing balance	9	2,826	2,835
Opening balance	0	406	406
Opening adjustment	0	46	46
Amortization	1	441	442
Disposals	0	0	0
Closing balance	1	893	894
Net book value	8	1,933	1,941

10. Contractual Obligations

Destination BC Corp. has entered into a number of contractual arrangements for the delivery of services in the future, the development of assets, and property leases. These contractual obligations will become liabilities in the future when the terms of the contracts are met. Disclosure relates to the unperformed portion of the contracts.

	(in \$ thousands)					
	2017	2018	2019	2020	2021	Thereafter
Property leases	1,591	1,180	1,180	0	0	0
Other contractual arrangements	11,581	6,599	965	0	0	0
Total contractual obligations	13,172	7,779	2,145	0	0	0

**Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016**

11. Risk Management

Destination BC Corp. is exposed to certain risks from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from Destination BC's financial instruments is provided below by type of risk.

i) Foreign exchange risk

The carrying amount of Destination BC Corp.'s foreign currency denominated financial assets at March 31, 2016 is \$70 thousand (2014/15 - \$227 thousand).

The sensitivity of Destination BC Corp.'s operating surplus (deficit) and remeasurement gains (losses) due to change in foreign exchange rate between the Canadian dollar and US dollar can be summarized as follows:

A 5% change in USD exchange rate will have an impact on the remeasurement gains or losses of CDN\$3,500.

ii) Interest rate risk

The sensitivity of Destination BC Corp.'s operating surplus (deficit) and accumulated remeasurement gains (losses) due to changes in the interest rate is minimal as it carries no debt.

12. Government Transfers

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Revenue:		
Province of British Columbia*	52,054	50,974
Expenses:		
Shared cost agreements**	15,340	13,980
Tourism Events Program	670	0
	<u>16,010</u>	<u>13,980</u>

*increased in 2015/16 by \$360,000 to fund the ExploreBC marketing campaign as well as \$670,000 for distribution to successful applicants in Government's new Tourism Events Program.

**consolidated with transfers to Municipalities, local governments and Service providers.

Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016

13. Expenses

The following is a summary of expenses by category:

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Government transfers - note 12	16,010	13,980
Advertising	9,398	10,315
Salaries and wages	7,867	8,057
Professional services	7,790	8,029
Information systems	3,279	3,633
Office and business	2,834	3,381
Rental expenditures	2,139	2,317
Employee benefits	1,842	1,920
Support services	937	1,142
Travel	707	681
Amortization	572	442
Other	186	331
Materials and supplies	117	271
Board expenses	66	71
Total expenses	53,744	54,571

As of March 31, 2016, Destination BC Corp.'s actual expenses did not exceed its legislated expenses limit.

Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016

14. Related Party Transactions

Destination BC Corp. is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

Destination BC Corp. had the following transactions with the government and other government controlled organizations:

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Grants from the Province*	52,054	50,974
Amounts paid to the Ministry of Jobs, Tourism and Skills Training	700	1,000
Amounts paid or due to the Ministry of Finance:		
Payroll	9,709	8,969
Building Occupancy Costs	2,102	2,274
Information Technology Services	695	719
Legal Services	125	254
Rent for UK office	0	108
World Host Online Workshop	24	105
Postage, supplies, printing	27	93
Audit Fees	60	60
BC Stats	32	49
Corporate Communications	13	12
Insurance Premiums	24	11
Other (including bank charges)	5	6

*Grants from the Province increased in 2015/16 by \$360,000 to fund the ExploreBC marketing campaign as well as \$670,000 for distribution to successful applicants in Government's new Tourism Events Program. The distribution of the Tourism Events Program funds is included as expenses under Destination and Industry Development in the Statement of Operations.

Destination BC Corp., and its predecessor organizations, has historically entered into a contract with the Kicking Horse Mountain Resort to operate a visitor centre. A Director of the Board of Destination BC Corp. is an officer of the company which owns the Resort.

**Destination BC Corp.
Notes to the Financial Statements
for the year ended March 31, 2016**

15. Budgeted Figures

Budgeted figures from the 15/16 Service Plan have been provided for comparison purposes. December 9, 2015 the Board of Directors approved re-allocations of the divisional budgets for a more accurate presentation.

The following adjustments were made:

	(in \$ thousands)
Global Marketing	1,066
Destination and Industry Development	(1,054)
Research, Planning and Evaluation	47
Corporate Services	(59)
	<u>0</u>

16. Program Revenue

Destination BC Corp. earned the following program revenues during the year:

	(in \$ thousands)	
	March 31, 2016	March 31, 2015
Reservations, commission and listings	402	799
Merchandise sales, royalties and other	304	293
WorldHost	296	258
BC Magazine	0	1,799
Total program revenue	<u>1,002</u>	<u>3,149</u>

17. Comparative Figures

Certain comparative figures, have been restated to conform to current year's presentation.

Capital Plan and Major Projects (over \$50M)

Not applicable.

Appendix A: Subsidiaries and Operating Segments

Not applicable.

Appendix B: Additional Information

Corporate Governance

Destination BC is governed by a Board of Directors that is responsible to the Minister of Jobs, Tourism and Skills Training for the implementation of government direction. The Board's direction is implemented by management, which carries out the day-to-day operations of the Destination BC under the supervision of the Chief Executive Officer. For more information on Corporate Governance, please see our web pages on [Leadership](#).

Organizational Overview

For an overview of Destination BC please see [Destination BC's Organizational Overview](#).

Appendix C: Crown Corporations Mandate and Action Summary

In the 2015/16 Mandate Letter from the minister responsible, Destination BC received direction on strategic priorities for the 2015/16 fiscal year. These priorities and the Destination BC's resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation's Action
Improve alignment of provincial, regional, community and sector marketing investments.	
Create and implement a provincial strategy, informed by industry and community input.	• Industry and community consultation continued, supporting the development of detailed implementation plans. In 2015/16 Destination BC consulted with: ○ Stakeholders and Tourism Marketing Committee (TMC) to refine the Co-operative Marketing Partnerships, Visitor Services and Remarkable Experiences Programs. ○ Regional Destination Marketing Organizations (RDMOs) on roles/responsibilities for creation of a destination development program planned (and underway) – see below re: expand BC's tourism offerings, businesses and jobs. • Launched Destination BC's new Co-operative Marketing Partnerships Program (goals include leveraging private and public funds to maximize marketing impact and Return on Investment (ROI) for tourism businesses, and increasing BC tourism revenues). • Improved Visitor Services Programs – see below re: deliver world class visitor experiences. • Piloted the new Remarkable Experiences Program. This program is a partnership with the RDMOs designed to encourage the enhancement of experience offerings across the province and alignment with BC's tourism brand, enable BC's tourism industry to become savvy digital and social media marketers, and increase the volume of positive 'word-of-mouth' recommendations about BC to garner increased recommendations, referrals and repeat visits, and ultimately increase their revenues.

Lead system-wide efforts to align provincial, regional and community marketing actions and investments with the provincial strategy while also supporting regional/community economic priorities and needs.	• In 2015/16, global roll-out of the revitalized <i>Super, Natural British Columbia</i>[®] brand continued across all of Destination BC's marketing activities as well as all regional marketing activities. More than 25 brand workshops were completed in 2015/16 with BC's tourism industry stakeholders to enable them to use the brand in their own marketing efforts. • Shared Destination BC's marketing plan earlier (October vs. January) to enable alignment with city and community Destination Marketing Organizations (DMOs), sectors, Aboriginal Tourism Association of BC (AtBC) and industry. The 2016 marketing plan was also shared at BC's Tourism Industry Conference (TIC) in October 2015 and was made available to all industry stakeholders. • Acquired a provincial Explorer Quotient[®] (EQ) license and are leading, facilitating and encouraging system-wide use. EQ workshops for tourism businesses and organizations were launched during Destination BC's roadshows during fall 2015. • Encouraged widespread adoption of the Net Promoter Score (NPS) as a common industry metric to assess British Columbia's visitor experiences and competitiveness. The metric has been adopted by several City Destination Marketing Organizations (CDMO). • Signed two-year service agreements with BC's five RDMOs (effective April 1, 2016). RDMOs will continue to be actively involved in travel trade, travel media, social media, destination development, community programs, and will focus their co-op marketing efforts on the touring and exploring visitor.
Reduce duplication and overlap in the system and streamline administrative costs to maximize the amount of funds available for promotions and marketing.	• Increased investment in marketing by transferring resources from discontinued programs and contracts (Vancouver, Coast & Mountains (VCM) Tourism Association, YVR Visitor Centre, BC Magazine, Approved Accommodation Guide, Inntopia (reservations platform), accommodation inspections, changes to overseas operations, etc.). • Discontinued the merchandise program and Distribution Centre and, effective April 1, 2016, developed a new, more cost effective, partnership with BC Parks to manage the British Columbia Visitor Centre at Mount Robson. Savings will be redirected to marketing programs in 2016/17. • Used the new co-op program in VCM to encourage clustering of communities to reduce overlap and administration costs and increase critical mass and impact. There are 12 consortia engaged in the co-op program. • Worked in conjunction with the Ministry of Finance and Ministry of Jobs, Tourism and Skills Training (JTST) to update and revise the Municipal & Regional District Tax (MRDT) program requirements to enhance accountability and transparency in both program administration and outcomes. ○ Updated the MRDT program requirements, including annual

	program performance and financial reporting. These requirements now apply to all new applications, renewals and rate increases. ○ Clarified MRDT program principles to support inter-community collaboration as well as marketing efforts that are coordinated and complementary to the provincial marketing strategies and tactics. • Together these principles support greater system wide alignment and maximization of collective marketing impact and return on investment.
Proactively promote cooperation and information sharing among all levels of Destination Marketing Organizations and tourism sector associations, on a regular and on-going basis.	• Established bi-weekly meetings with RDMOs to share information and ensure alignment. • Sponsored the 2015 Tourism Industry Summit. • Encouraged communities to work together in consortia of three or more in order to access Co-operative Marketing Partnerships program funds. By the deadline of December 31, 2015 over 50 consortia of three or more communities or sectors had applied for co-op marketing funds for 2016/17 marketing programs. • Implemented the Explore BC marketing program to motivate BC residents to explore more of what their province has to offer for leisure and vacation experiences. Project includes marketing partnerships with the public and private sectors, including a media agreement with Global/Shaw. • Partnered with BC Ferries, BC Parks, ICBC, Parks Canada and various private tourism entities to align with and leverage the Explore BC marketing program. • Developed the 2015/16 North America ski campaign in close collaboration with the Canada's West Ski Areas Association (CWSAA), which includes BC's 13 export-ready ski resorts; three ski resort representatives were part of campaign planning meetings. • Worked on pilot projects with the BC Wine Institute, Gold Rush Trail Committee and Sea to Sky Consortia to integrate the new brand into their marketing materials. • During 2015/16 Destination BC committed to investing \$145,000 in cooperative marketing programs with BC cycle-tourism projects to be executed 2016/17. In March 2015, the Ministry of Transportation and Infrastructure, under its BC On the Move strategy, announced a commitment to invest \$18 million over three years to partner with communities to build new bike lanes and trails.
Enhance marketing capacity and effectiveness.	
By 2016/17, as a result of various administrative and program improvements and other measures, the effectiveness of	• Established an ongoing partnership with Destination Canada and other provincial DMOs for content marketing campaigns in Germany, U.K., Australia, China and Japan. These include offline and online advertising, social media, public relations and the use of tour operators as the call to action to drive sales. In particular in 2015/16, the Germany campaign was the first ever content marketing

Destination BC's domestic, national and international marketing efforts will be increased, in line with BC's re-invigorated <i>Super, Natural British Columbia</i>[®] tourism brand.	campaign on a national scale, with significant investment by all partners and a multi-channeled focus. • In 2015/16 Destination BC committed to a partnership with Destination Canada to support Destination Canada's Connecting America program to capitalize on the growing US market, launching April 2016. • Partnered with Destination Canada on a pilot project targeting skiers in California. The project supports Destination Canada's re-entry into the US, and allows Destination BC to extend its ski message into markets and media beyond the reach of its own campaign and budget. • Hosted over 500 press trips (including supporting industry through the Visiting Journalist program) from all of its key markets during 2015 to generate earned media awareness for BC. • Developed over 100 marketing promotions with key international tour operators in the 2015 calendar year. • Completed or underway to date are 20 photography projects and six video projects resulting in over 500 new still images and 12 hours of b-roll. BC's tourism industry will also use these new assets to market BC to travellers across its key markets. • To date: ○ Brand video 'Wild Within' has had over 465,500 views on YouTube with over 15,000 likes and 7,900 shares on Facebook. ○ Virtual Reality 'The Wild Within' 360 experience has been showcased throughout 2015/16 in all major travel trade and media shows/events globally attended by Destination BC representatives. To date, over 800 clients and media have experienced the virtual reality experience in North America, China, Japan, Germany, UK and Australia. ○ Over 1.3 million uses of the #ExploreBC hashtag, with visitors and residents sharing images and videos of their experiences with peers globally.
Deliver world class visitor experiences.	
Starting in 2015/16, implement a forward-thinking Visitor Services strategy that: • Meets the changing needs of today's traveler. • Addresses government's commitment to invest in and upgrade visitor services.	• Consulted with Visitor Centres management and staff, and communities on new Visitor Services strategies. • Provided over \$200,000 in 2015/16 in support of 35 projects across BC that tested and documented new, innovative approaches to providing visitor services such as mobile kiosks, roaming visitor counsellors, state-of-the-art touch screen kiosks and social media channels. • Increased base funding for small and rural Visitor Centres to the new minimum level of \$10,000. In 2015/16 Destination BC created certainty for Network members by committing to fixed annual base funding for three years, starting January 1, 2016. This funding enables Visitor Services Network members to have more flexibility

• Contributes to ongoing increases in British Columbia being promoted as a destination of choice.	and facilitate better long-term business planning by knowing their base funding is secure. • Provided, via the HelloBC.com website, information on accessible travel in British Columbia, including links and information on getting around, accommodation, things to do, winter sports and more. • Committed to work with communities over a three-year period (2015-2018) to increase the impact, reach and accessibility of visitor services in communities throughout the province to ensure remarkable experiences for visitors at every touch point.
Expand BC's tourism offerings, businesses and jobs	
Working with regional and community organizations, Destination BC will ensure that processes are in place to create regional tourism development strategies to create tourism experiences, businesses and jobs across the province. The regional strategies must consider each region's unique opportunities and needs, and align with the provincial destination development strategy.	• JTST has engaged cross-ministry partners to ensure shared priorities are well coordinated and to solicit their support for and participation in the destination development program. Destination BC, which leads the destination development planning process, has met with regional partners to establish roles, responsibilities, and overall program design. ○ Worked in conjunction with JTST to establish the provincial framework for destination development (i.e. program principles, goals and objectives, strategic priorities and roles/responsibilities). Completed March 2016. ○ Worked with JTST and regional partners to develop and refine processes to develop planning area, regional and provincial destination development strategies. ○ Engaged with regional partners and stakeholders and identified the first six planning areas (one per tourism region) for destination development strategies.
Destination BC is to continue providing support for the expansion of Aboriginal cultural tourism experiences in BC. This includes the continuation of financial support for the Aboriginal Tourism Association of BC (AtBC), to support AtBC in reaching its goals of increasing Aboriginal tourism revenues and the number	• Completed a new contract with AtBC during 2015/16 to provide a further \$3 million over the next three years. This allows AtBC to continue its work which the Province (through Destination BC) has supported over the last decade. • Featured Aboriginal cultural tourism experiences, as appropriate, in Destination BC marketing and brand building activities.

of market ready- Aboriginal tourism businesses and jobs.	
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